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⁂ The Bank publishes from time to time in this Monthly Review signed articles by exponents of different theories on questions of public interest. The Bank is not necessarily in agreement with the views expressed in these articles.

Economic Adjustment in Australia

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THE 1933–34 budget of the Commonwealth Government of Australia, which was opened on October 4th, grants remissions in taxation of £7·5 millions, and increases in expenditure of £1·7 millions. This is the latest and most definite of several indications that Australia is now emerging from her serious financial and economic troubles. In itself this recovery is a matter of some importance because Australia was also one of the first countries to be attacked by the depression. I suggest, however, that Australian experience might be judged from a still wider standpoint. Her comprehensive plan of campaign against the financial and economic disturbances of the depression offer an interesting and perhaps valuable example of one method of meeting a serious depression. I do not suggest that Australian policy is the only way out, but it may reasonably be claimed, in the light of subsequent experience, that it has proved to be a way out at a time when less comprehensive action has not proved so successful in some countries. I hope to show in this article that for this reason Australian economic and monetary policy is of wide general interest.

The secret of Australia's attack on the depression lay in the combination of a courageous banking policy with drastic

reductions in costs and government expenditure. When this attack began, falling export prices and a sudden cessation of overseas borrowing had caused a heavy loss of her national income and resources. This loss was suffered first by primary producers and by producers who had formerly been employed on public works, but it soon spread to all sections of the community, and the whole economy was quickly upset. The balance of trade was adverse, unemployment was high, budget deficits reached alarming figures, profits almost vanished, and a financial crisis seemed imminent. This was the position early in 1931, when economic and financial policy was still a matter of acute political controversy. Happily, the issue was resolved in May, 1931, when the Premiers' Plan was agreed upon. Prior to that, the Commonwealth Arbitration Court had reduced the basic wage by 10 per cent., extensive credits had been extended to the Governments by the banks, and Australia had abandoned the gold standard. The Premiers' Plan provided for a reduction of at least 20 per cent. in all government expenditure, a conversion of the internal public debt to a lower rate of interest, and a reduction in private interest and rents. It laid the foundation for attaining budget equilibrium and extended reductions in costs to all fixed charges. Given these conditions it was possible for the Commonwealth Bank to continue its policy of financing deficits and loan works pending the achievement of budget equilibrium and the resumption of normal Government borrowing in the domestic money market.

These adjustments brought quick relief, restored Australia's credit, and laid the foundations of economic recovery. There are still elements of disequilibrium in the internal price structure; unemployment, though declining, is still above normal, internal investment is not fully restored, and budgets, including heavy sinking fund payments, are not completely balanced. These problems will be solved by a continuance of present policy, assisted by a rise in export prices. Fortunately, recent months have witnessed a remarkable rise in wool prices and a general improvement in export prices of 30 per cent. The full effects of this upon internal conditions will not be apparent for some time. When completed they will have greatly assisted to complete Australia's progress towards healthy economic activity.

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I. The Loss of Income and Banking Policy

When Australian export prices fell and long-term overseas borrowing ceased in 1929, there was an immediate loss of national income and resources in Australia. We may define national income briefly as the total of individual incomes. With export prices at half their pre-depression level, the wool grower and other export producers suffered a serious reduction in their incomes. They had less spending power for purchasing the goods and services of other producers, and their loss of income thus soon caused heavy losses in all other incomes. The sudden stoppage of overseas borrowing forced a rapid reduction in loan expenditure, and this also caused a loss of income to many who were formerly employed on public works, or were supplying materials required for the construction of public works. The total loss of income from all these causes was no less than £220 millions from 1928 to 1932. National income in 1928 was estimated at £650 millions, and in 1932 at £430 millions. Thus the loss was more than one-third.

It was inevitable that such a loss should cause serious financial and economic disorder. The balance of payments was upset, unemployment rapidly increased, profits and stock exchange values fell seriously, government revenue declined heavily, and budget deficits increased with alarming rapidity. Similar developments have since occurred in most countries, but Australia came into the world crisis early and suffered more than most countries. Drastic action to meet the situation was necessary. The first step was a virtual suspension of the gold standard at the end of 1929 and the use of gold reserves to meet external obligations. These reserves were held by the banks who accepted government securities, notes or deposits with the Commonwealth Bank in exchange for their gold. This was the beginning of a somewhat unorthodox banking policy that played an important part, first in easing the acute difficulties of the governments and primary producers, and later in promoting an expansion of credit for governmental purposes.

As in England, the suspension of the gold standard was followed by a depreciation of the currency. When England left gold in 1931, the Australian pound already stood at a discount against sterling, so that when sterling in turn depreciated against gold, the discount of the Australian pound against gold widened to the extent that the exporter received

£A.170 for goods that realized only £G.100.* It is easy to see that this held the prices of exports in Australian currency much above what they would have been in gold currency. By gaining higher prices for exports, and thus higher incomes for export producers, the whole national income in Australia, expressed in Australian currency, was sustained at a higher level than would have been possible on the gold standard. Serious as was the fall in national income even in these circumstances, it would have been much more serious had Australian currency not been depreciated.† This was the first important element of banking policy that helped Australia in the crisis.

The second element was the expansion of credit for financing government deficits and loan works. This was done in the form of Treasury bills issued by the Commonwealth Bank. The result was a net expansion of central bank credit of at least 40 per cent. in the crisis. This credit was spent by governments in meeting deficits and for public works. It thus went directly into consumers' income and helped to check the fall of national income during the period of acute difficulty. Why was it possible for Australia to expand credit in this way and to control the depreciation of her currency without incurring the financial and currency difficulties that so often accompany a policy of this nature? To answer this question we must consider what other adjustments were made in the Australian economy to meet the new conditions imposed by the depression. It would be a great mistake to suppose that through banking and monetary policy alone the adjustment could be made. On the other hand, an attempt to meet the situation without the aid of a vigorous banking policy would almost certainly have failed. Given satisfactory credit and currency control, a reduction in costs, sufficient to restore budget equilibrium and to make industry profitable, was

* In order to avoid confusion, the following abbreviations are used for different currencies :—

Australian pounds	£A.
Sterling	£stg.
Gold pounds	£G.

Where values before 1930 are quoted, the ordinary abbreviation (£) is used.

† In Australia export production is an important determinant of total national income, which tends to move with changes in prices and output in the export industries. Export prices in sterling fell by over 50 per cent. in the worst period of the depression, and despite an expansion of 30 per cent. in the volume of exports in 1932–33 above the level before the depression, exports realized only £stg.83 millions compared with £140 millions before the depression.

practicable. We shall consider this reduction in costs first, and then examine more closely the nature and effects of banking and monetary policy.

* * * *

II. Comprehensive and Severe Adjustments

At first Australia resisted adjustments in her economy. Looking back on the experience in the last three years, one is not surprised at this resistance; in fact, one is amazed that she so quickly and so readily made fundamental adjustments that other countries, especially some creditor countries, have refused to make, or have made only partially. There were, of course, indications of unsound financial conditions even before the depression in Australia. Thus in 1929 budgets were not balanced, unemployment was rising, the tariff imposed substantial costs upon export industries, and the general standard of living was too greatly dependent upon overseas borrowing and the maintenance of high export prices. But a steady reduction in overseas borrowing and a moderate fall in export prices would not have caused a shock of the first magnitude to the Australian economy. An adjustment of about 5 per cent. all round in the standard of living would have restored sound financial conditions. When, however, the depression deepened and Australia was unable to borrow abroad, unexpectedly heavy adjustments were inevitable. Within a period of 18 months from the onset of the depression, these adjustments had either been made or there had been general agreement among the Governments that they should be made. They commenced in earnest with the decision of the Commonwealth Arbitration Court in February, 1931, to reduce the real wage by 10 per cent. The Court had for many years adjusted the basic wage automatically with quarterly changes in the cost of living. As the cost of living fell during the depression, the basic rate also fell. In addition, the Court after an exhaustive enquiry ordered a reduction for one year of 10 per cent. in the basic wage. The effect of this reduction, and of the cost-of-living adjustment, was to reduce the Commonwealth basic wage by 30 per cent. between the fourth quarter of 1929 and the fourth quarter of 1932. Since that time the Court has made a slight alteration in its method of fixing the wage by accepting as the basis of its adjustments an index number covering clothing and miscellaneous expenditure as well as foodstuffs

and house rent, which alone were covered by the former index number.*

It is perhaps worthy of note that the Arbitration Court, which was thought by many to be an instrument of rigidity in the economic structure, was the first official body to declare strongly and adequately in favour of fundamental adjustments in the economic structure. More important still is the fact that this declaration was made the basis of the adjustments later put into force in what has come to be known as "The Premiers' Plan." This plan was suggested by a Committee of four economists and five under-treasurers called in to advise a Sub-Committee of the Australian Loan Council in April, 1931. At that time the decline in the Commonwealth basic wage from 1928 had amounted to 20 per cent., and this was accepted as the basis of reductions in governmental economies. When, however, this minimum of 20 per cent. was applied, it was found to be insufficient to reduce deficits to a manageable amount, for they were estimated to be £41 millions in 1931–32, and the Committee desired to bring them down to £13 millions or £15 millions. They therefore suggested that a reduction in internal interest should be made by means of an internal conversion loan, saving 15 per cent. in interest. That was later modified at the Premiers' Conference to 22½ per cent. At the time there was a 7½ per cent. special tax on income from property, and it was thought desirable to remove this tax on interest from government securities in order to bring down the average rate of interest for the internal debt from 5¼ per cent. to less than 4 per cent. At the same time suggestions were made for legislation permitting similar adjustments between private debtors and their creditors, and between tenants and landlords.

The total adjustments made in governmental expenditure were heavier. It was possible to exact more than 20 per cent. economy, because in addition to the cuts in salaries, wages, and

* The "real wage" may be defined as the remuneration of labour in terms of commodities and so is determined by the level of the cost-of-living in relation to the money wage. The "basic wage" implies a purely money wage, and if the cost-of-living varies, the basic wage must be scaled up or down in proportion, if the real wage is to remain constant. Thus, if the cost-of-living falls by 10 per cent. the basic wage must be reduced by 10 per cent. in order to keep the real wage constant. If it is simultaneously desired to lower the real wage, an additional reduction in the basic wage is necessary. The present position concerning the basic wages of the States is given at the close of the article.

pensions, retrenchments could be put into force in a number of departments; thus expenditure on the Government railways fell from approximately £42 millions in 1929 to about £30 millions in the current year. The percentage reductions for administrative expenditure and Government enterprises from the 1929–30 standard exceeded 30 per cent. in some States, and were all substantially above the required minimum of 20 per cent. In considering these reductions, note should be taken of the fact that Australian governments run business enterprises, and in a period of depression are forced in part to follow the practice of severe retrenchment so well established in private business policy.

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III. Budgets and Banking Policy

Despite these heavy reductions in expenditure and substantial increases in taxation, including sales tax, special primage duty, increased income taxes, and special unemployment taxes, the budgets of the individual States are not yet fully balanced. If, however, the seven governments as a whole are considered, it will be found that the net deficit is less than the sinking fund payments. The latter amount to £7 millions. The estimated deficits in the States for the year 1932–33 were approximately £8·5 millions. There was a surplus in the Commonwealth budget of £3·5 millions. This is £2 millions in excess of the gap between the State deficits and the sinking fund payments. For the current year the Loan Council has fixed the State deficits at £8·5 millions, against sinking fund payments of £7 millions. The Commonwealth budget will be balanced, after affording further heavy remissions in taxation. If the present improvement in prices be sustained, the revenue for the State budgets will expand and reduce deficits below £8·5 millions as fixed by the Loan Council.*

It has been the practice of the Loan Council to arrange for the financing of deficits through the issue of Treasury bills by the Commonwealth Bank. This will be done in the present year. Until recently, necessary loans works were financed out of Treasury bills, but with the improvement in financial conditions in Australia it is now possible to raise from the market in the ordinary way all the funds required for public works.

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* See note at foot of next page.

This policy was agreed to by the Loan Council in February last, and in May the first loan under the new policy was placed on the Australian market. The governments asked for £5 millions at 3¾ per cent., and quickly got £8·3 millions. This suggests that the lower rates of interest have now been well established and that confidence in public securities has been completely restored. The loan expenditure is now about £20 millions per annum, compared with £40 to £45 millions before the depression. Pending a recovery in private investment there may be an actual scarcity of new securities on the market; if so, surplus funds available at low rates of interest can be used to fund a portion of the floating debt.

In view of the importance of this subject and of the misapprehensions concerning the effects of the floating debt upon internal and external credit, I propose to deal briefly with the relationship between banking policy and government finance as developed during the depression in Australia.

We have heard much in the crisis concerning the importance of open market dealings by central banks. This usually takes the form of purchases of government securities, but the issue of Treasury bills for loan expenditure or deficits has the same effect upon the internal banking structure. Whether it has a beneficial effect generally depends in part upon confidence in the future balancing of the budget, and in part

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* The following figures give detailed information concerning deficits in 1932–33 and the estimates for 1933–34:—

	(*a*) *Plan deficit for 1932–33.*	(*b*) *Deficit according to budgets 1932–33.*	(*c*) *Plan deficit for 1933–34.*
	£000.	£000.	£000.
Commonwealth	Nil	+12†	Nil
New South Wales	4,500	4,350	3,950
Victoria	900	851	800
Queensland	1,485	1,491	1,850
South Australia	1,215	1,187	1,100
Western Australia	765	764	750
Tasmania	135	124	50
	£9,000	£8,755	£8,500

When the Premiers' Plan was adopted, the estimated deficit for 1931–32 was £39 to £41 millions.

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† i.e., surplus.

upon the extent to which a temporarily unbalanced budget sets up a flight of capital. For a short time over the summer of 1930–31 the unbalanced budgets of Australia set up unfavourable reactions from both these causes, but when the Premiers' Plan was adopted in June, 1931, confidence was restored and the flight of capital checked. It was then that the advantages of increased credit through the issue of Treasury bills became obvious. For the issue of Treasury bills not only increased the cash reserves and deposits of the trading banks; it also directly sustained or increased the demand for goods. The Treasury bills held in Australia by the banks at June 30th last amounted to approximately £48 millions, of which at least £27·5 millions were held by the trading banks. The bills at present bear interest at 2½ per cent., and are discountable at the Commonwealth Bank. No doubt they are a convenient form of investment for the private banks at present when the outlet for advances is not sufficient to absorb all their funds which have, in fact, been increased by the issue of the bills. It is held by some that the bills, being discountable at the Commonwealth Bank, may be exchanged for notes at any time. If so, they will impose a severe strain upon the Commonwealth Bank and cause an inflation of the note issue. Moreover, there is a fear that the increased cash available to the banks may be made the basis of a credit inflation. It is impossible in the space available to deal exhaustively here with these fears. In answer it may be contended—first, that if the banks rediscounted these bills they would not take notes in exchange for them, but merely increase their deposits with the Commonwealth Bank; second, that in the conditions postulated under which the banks would rediscount their bills there would be a recovery of trade sufficient to enable funding operations to be undertaken; third, that the banks have now sufficient cash reserves to make necessary advances without cashing bills; and, finally, that the market for the bills could be extended beyond the banks to other financial institutions.

Up to March, 1931, there was a contraction of bank "advances and securities," but with the adoption of the Premiers' Plan and the growth of the floating debt, bank investments in securities expanded, so that at March, 1933, "advances and securities" were £285 millions, compared with £269 millions in March, 1931. The need for contracting advances became less serious as the policy of currency deprecia-

tion and central bank credit expansion became more firmly established.*

For over 18 months, commencing January, 1931, the Australian wholesale price level was relatively stable, and it was only the severe deflation associated with the American crisis from October, 1932, that caused a reduction in wholesale prices of the order of 7 per cent. over a period of six months.† The maintenance of the internal price level and the holding-up of export prices, expressed in Australian currency, rendered the securities of all financial institutions more liquid and relieved the strain of the crisis upon the financial structure. The rapid advance in the prices of equity stocks after September, 1931, is an indication of the measure of financial recovery following the adoption of the Plan. From September, 1931, to date, equity stocks on the Melbourne Stock Exchange have increased in value by about 60 per cent., and the index number is now approximately 90 on the basis of May, 1926, as 100. At the same time, rates of interest were falling and they have continued to fall during the present year; thus at the end of June the average effective rate of interest on the 4 per cent. converted Australian stocks was below $3\frac{3}{4}$ per cent., while bank deposit rates were down to 2 per cent. for three months' deposits and 3 per cent. for two years, compared with $4\frac{1}{2}$ per cent. and $5\frac{1}{4}$ per cent. respectively in January, 1931.

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IV. Export Prices and the Balance of Payments

This progressive cheapening of money and the improvement in the financial position is a remarkable achievement to be recorded in face of the persistence of extremely low export prices. Measured in sterling, export prices in 1932 were more than 55 per cent. below their level in 1928, while in gold they were nearly 70 per cent. down, but thanks to the depreciation of the Australian pound, their fall in Australian currency was reduced to 45 per cent. Even this last is a very heavy fall, and without the policy of credit expansion it would have been

* Of an increase of £17 millions in "advances and securities" from March, 1932, to March, 1933, £4 millions represented an increase in advances, and £13 millions an increase in securities.

† Wholesale prices were 143 for 1931 (basis 1911 as 100) and 141 for 1932. At the end of 1932, however, they were falling and had moved from 144 in September to 137 in December. They fell further to 133 in March of this year, but had risen to 143 again in June.

sufficient to cause serious internal financial disturbance. That it did create a very difficult overseas position for Australia in 1930 is well remembered both in Great Britain and in Australia. Before the depression, imports and exports approximately balanced, as did also external interest payments and overseas public borrowing. The depression rapidly reduced the income from exports and destroyed altogether the receipts from long-term borrowing. Imports were not reduced proportionately, and efforts were made to hold the exchange rate at a point close to parity so that the Australian pound was over-valued. The Government, unfortunately, resorted to very heavy increases in the tariff, in the belief that this action would correct the external situation. The result has been a very substantial increase in the level of the Australian tariff, and the imposition of additional tariff costs upon the Australian exporter. This, indeed, is the main weakness in Australia's plan of economic adjustment, but it is a weakness common to depression policy in almost all countries. Though Australia can point to some recent tariff reductions and to the elimination of prohibitions and quotas imposed during the depression, and in this respect is perhaps in advance of most countries, she has still to face the uphill task of reducing the tariff to a level that will not injure the development of the export industries. The concession granted to British imports on account of exchange depreciation is an important move in this direction, because it will effectively reduce the general tariff on goods in which British imports predominate.

It is not necessary to deal in detail with the balance of payments during the early years of the crisis; suffice it to say that for 1929–30 and 1930–31 there were very heavy adverse balances which had to be met by the use of foreign exchange reserves and the export of gold.* Altogether deficits of some £stg.65 millions were met in this way. By 1931–32, however, thanks to the beneficial effects of Australian policy and to good seasons, exports had expanded in volume, and with the current production of gold they reached the level of £stg.78 millions. Their volume was at least 25 per cent. greater than the three years before the depression, but their value in sterling fell by nearly 50 per cent. This is a striking illustration of the devastating effects of the fall in export prices. With imports down to

* The exports of gold from 1st July, 1929, to 31st October, 1932, were £46·8 millions, of which only £7·9 millions were from current production.

£stg.44 millions compared with over £140 millions before the depression, there was a favourable balance of trade of £stg.34 millions available to meet the debt charge of approximately £stg.26 millions. We were thus able to add to our London reserves at a time when export prices were at their lowest level. Throughout the most active part of the export season 1932–33, export prices remained at low levels. The volume of exports, however, increased again, and the value was £stg.83·3 millions against imports of £stg.56·6 millions. Thus, with some trade recovery and a consequent increase in prices, the surplus in the balance of trade was again more than sufficient to meet overseas interest payments and sinking fund charges. In the current year, Australia enters the export season with export prices at least 30 per cent. above their level during most of last season. This will more than compensate her for the slightly less favourable seasonal conditions. For the present she is benefiting from the war debt concession, amounting to £stg.5·5 millions per annum, for interest and sinking fund. Her interest savings on sterling conversions in the past twelve months have been over £stg.1·3 millions per annum.

The recent depreciation of the dollar has lightened the burden of the American portion of the debt. No less than five Australian conversion operations have been carried out in London since October, 1932. The last, £stg.21 millions, was the largest Australian external loan ever floated. Interest was reduced from 6 per cent. on £15 millions and from 5¾ per cent. on £6 millions to 3¾ per cent. on an issue price of 98 for a period of 15 to 20 years. The loan was highly successful. There remains £stg.35 millions of callable loans at 5½ per cent. and 5 per cent. It was fortunate that Australia had £84 millions of callable loans bearing interest at an average rate of 5·7 per cent. In addition, there were two loans amounting to £22 millions, maturing in 1932 and 1933. These have already been converted.

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V. Exchange Policy and Internal Recovery

The adjustment of the balance of payments is a most satisfactory feature of Australia's progress towards recovery. It has been assisted by a well-administered exchange policy now under the control of the Commonwealth Bank, which buys

and sells London funds at rates determined by the Bank. This arrangement was made in December, 1931, when the exchange rate was altered from £A.130 to £A.125 for £stg.100. The rate has not been altered since, though balances in London have increased. It should be remembered, however, that before the depression the total gold reserves of Australia and the sterling exchange reserves amounted to nearly £100 millions. They are still, perhaps, little more than half this figure, and there is pressing need that they should be increased as a kind of drought reserve against unfavourable seasons. Moreover, the internal position requires that all possible relief from a rise in export prices should be available to producers whose maintenance expenditure has suffered seriously in the depression. Having held a stable exchange rate over a period of distress, there can be no pressing need for alteration on the first indication of economic recovery. The disequilibrium between producers' costs and prices is still too great. Indeed, bearing in mind the necessity for using currency management to promote internal equilibrium between costs and prices, there are at present the strongest arguments for maintaining the present discount on sterling.

The facts presented here clearly indicate that Australia has emerged rapidly from her financial crisis. Consolidation of the progress so far made towards complete recovery depends upon seasonal conditions and the restoration of a balanced price structure. With regard to the first, it is only necessary here to indicate that seasonal prospects for the current year are not as favourable as for the past two years. But these were exceptionally good years and on present indications a reduction of 15 per cent. in the volume of exports is the maximum measure of adversity to be expected. The rise in export prices is now much more than sufficient to offset this reduction in volume. Even at the higher level, export prices in sterling are still over 40 per cent. below the level of 1928. There is thus scope for considerable improvement from any general trade recovery that might take place.

A better balanced internal price structure depends in part upon the rise in export prices, and in part upon what further reductions in costs are possible. As export prices rise, the primary producer's income will expand, but his costs should not rise proportionately. Increases in the prices of butter, wheat and meat will, it is true, increase the cost of living and

automatically raise wages, but as wages are now fixed by the Commonwealth Court on the whole of expenditure, the increase should be much less than the rise in export prices. In the long run there will be some passing on of costs to other items in the cost of living, but even so there will be a net benefit to export producers' income. This will increase the demand for the products of other industries, and reduce unemployment which has been falling in the past nine months. The direct reduction in costs can come from (*a*) tariff reform, (*b*) lower transport charges, and (*c*) an adjustment of the State basic wages to the standard set by the Commonwealth. In Queensland and Western Australia the State Courts have reduced the basic wage from the fourth quarter of 1929 to the fourth quarter of 1932 by 13 per cent. and 18 per cent. respectively, compared with 30 per cent. by the Commonwealth, 24 per cent. by New South Wales, and 26 per cent. by South Australia. In Victoria and Tasmania the Wages Boards tend to follow the Commonwealth Court. Since Queensland and Western Australia are not industrial States, the relief from this source cannot, in any case, be very great. Some freight reductions on wool and other primary products have been made by the State railways, but there is scope for considerable relief here as soon as the budget position of the States allows it. The tariff presents a much more difficult problem. Though recent legislation has reduced many duties, there can be little doubt that the Australian price structure would approach much nearer balance if the more costly forms of protection could be eliminated *pari passu* with the rise in export prices. Finally, relief from heavy taxation already partially attained, thanks to the buoyancy of Commonwealth finance, would assist in lifting burdens from industry.

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VI. Conclusion: A Middle Course

Australian policy in the crisis has been a blending of reductions in costs, currency depreciation, and credit expansion. It is still too early to estimate the full results of the policy. Experience so far gained suggests, however, that the cost reductions alone could not have brought the satisfactory results so far attained. Nor could the depreciation of the currency and the expansion of central bank credit have brought relief without the confidence stimulated by the bold attack upon

costs and the application of cuts to all costs, including fixed charges. Australia's economic system was, perhaps, well suited for such an experiment, and the readiness of her people to accept a general sacrifice made possible a rapid spreading of the loss of income. This, indeed, was the outstanding feature of the middle course between deflation and inflation that Australia adopted in the depression. Currency depreciation gave relief to export producers; the reductions in wages, interest and rent lowered costs of production and brought budget deficits within manageable limits; and the expansion of credit provided a useful stimulus to enterprise. The policy as a whole may be conveniently summarized as follows:—

(1) A reduction in real wages, determined by the Commonwealth Arbitration Court.

(2) Reductions in government expenditure and increases in revenue.

(3) Reductions in interest, both public and private, and in rents.

(4) Expansion of central bank credit to finance deficits and necessary loan works.

(5) Depreciation of the currency to correct the balance of payments, assist export producers and sustain the internal price structure.

DOUGLAS COPLAND.

The Problem of Prices

SPEAKING at the Mansion House on October 3rd, the Chancellor of the Exchequer gave as the first of the four major objectives before the country " a rise in wholesale prices, especially the prices of primary commodities." This statement represents no change in policy on the part of the Government, for similar expressions of opinion are to be found in the declaration regarding Imperial monetary policy made at Ottawa a year ago, and were repeated last July, while a motion to that effect was carried with Government support in the House of Commons last spring. In short, the country has now for over a year been committed to a policy of raising prices and in fact since the early summer a moderate rise has occurred.

The question of a rise in prices has been obscured by much loose thinking. The first question to be faced is whether a rise in prices is desirable. The Government holds that it is, and public opinion on the whole supports it in that view. Again, the evidence of the past six months, to go back no further, shows that rising prices have in fact been accompanied by expanding trade and decreasing unemployment; while the evidence of 1929 onwards certainly shows that falling prices are reflected in depression and heavier unemployment. Nor is it difficult to see why this should be the case. In a perfect world, possibly, all fixed and continuous charges, such as wages, rents and interest, might be adjusted to a sliding scale determined by the price-level of the moment, so that a tenant, for example, could say to his landlord, " Prices have fallen since last year by 10 per cent. according to the official index number, and so by statute my rent is automatically reduced from £100 to £90 " ; while the debtor might advance a similar plea when he came to repay his loan. Such a conception of long-term contracts is entirely utopian, and indeed an attempt to put it into practice would raise as many problems as it would solve. Still, as matters stand, every fall in prices involves the transfer of wealth from the debtor to the creditor classes, that is, in many instances, from the producers and employers of labour to the *rentier* and the bond-holder, with the inevitable consequence that the producer first loses heart and in time may end in bankruptcy. Conversely, a rise in prices restores confidence and stimulates enterprises. Thus, for these reasons

alone, there is an intimate connection between the volume of trade and unemployment and the direction in which prices are moving. A *rising*, as distinguished from a *high* price-level, is always good for trade.

That is the general case for the policy of raising prices, but it is when we come to its detailed application that the need for careful thinking really arises. First of all, what is the real objective?—a rise in the general price-level or a rise in the prices of particular groups or classes of commodities, such as primary commodities, as emphasised by the Chancellor? These distinctions may appear to be hair-splitting, but in reality they are vital, both to an understanding of the problem and to the correct way of carrying out such a policy.

Firstly, as American experience is beginning to teach us, any rise in prices must be a balanced rise. The upward movement of American prices was in its initial stages confined to primary commodities. This afforded immediate relief just where it was most needed, namely to the farmers and to those who were engaged in financing them. The result was a revival in purchasing power in the agricultural areas which was quickly reflected in fresh orders for manufactured products. This stage lasted until the middle of July, and brought about not only a new movement of money and goods inside the country, but also the fresh importation of raw materials from abroad. This gave a new and vitalizing impetus to all primary producing areas, and last summer it appeared that the rise in American prices had provided the impact that was needed to set world trade in motion.

Unfortunately, the rise in American prices could not be confined to primary products, but spread to other fields. This is not the place to discuss the passing of the National Industrial Recovery Act, or the introduction and enforcement of labour codes. Suffice it to say that one consequence of this side of the Administration's policy was a drastic increase in production costs, inevitably reflected in a rise in retail prices. Simultaneously it became clear that the psychological impulse of the initial rise in prices had gone too far. Manufacturers had over-stocked themselves with raw materials and had over-estimated the revival in general consumption. The result was a recession in primary commodity prices just at the time when the advance in production costs and retail prices was gaining momentum. Hence to-day we find that since the end

of June the real income of the American farmer has fallen in a marked degree. As the New York correspondent of the *Economist* graphically expressed it in a letter dated September 25th, " it now takes twice as many bushels of wheat or pounds of cotton to buy a pair of ordinary farm overalls as it took three months ago."

The vital lesson here is that if the attempt is made to force through too rapid an advance in prices by artificial means, the advance is bound to be unbalanced, so that in the end it does as much harm as good. This really is the answer to those critics who complain that our own monetary and economic policy is slow and ineffective. It is almost impossible to bring about by Government action alone just the right amount of increase in each particular price and cost all over our complex economic field. Whether a rise in prices is engineered by direct and involuntary inflation or by other and more controllable methods, if it proceeds too fast or beyond a certain limit, it becomes a disorderly movement, creative of new injustices and in the end destructive of fresh enterprise and confidence. In England informed opinion has already suggested one rough-and-ready limit to a reasonable advance in prices, namely that it should not go so far as to necessitate an increase in money wages in the sheltered trades. Mr. Chamberlain conceivably had this limit in mind when he laid emphasis upon an advance in the prices of primary commodities, and mentioned all the predominantly agricultural countries instead of confining himself to Great Britain. Again, interpreting his possible thoughts in homely language, it is estimated that the quantity of cotton in a shirt costing, say, ten shillings is of a value of only about sixpence. It would be possible for the price of raw cotton to rise by 50 per cent. from sixpence to ninepence, without adding more than the infinitesimal amount of 2·5 per cent. to the total cost of the shirt. Thus a substantial rise in primary prices could take place without affecting retail prices at all, but if the rise spread to the wage and other costs of the spinner, weaver, and shirt-maker, then a substantial rise in retail prices, sufficient to call for a general rise in wages, would follow. This is one of the dilemmas with which America is faced to-day.

Granted, therefore, that our objective is a rise in primary prices which should not be confined to this country, how should it be carried into effect? This introduces the distinction we made on a previous page between a rise in the general price-level

and a rise in the price of particular commodities, for this distinction has a vital bearing upon our policy. Here, once more, careful thinking is necessary. The general level of prices depends upon general factors, largely of a monetary character. These include the amount of money in existence, whether currency or bank-deposits; the rate at which it is changing hands; the use people are making of their incomes; how freely money is being spent; to what extent it is being saved; and last but not least, the extent to which savings are being hoarded or held in idle bank-deposits, or on the contrary are being invested in productive enterprise. Without going further into difficult questions of modern monetary theory, it may be said, generally speaking, that if a Government wishes to bring about a rise of prices, and is careless of the consequences, the only certain method is inflation. If it rightly shrinks from the inherent dishonesty of such a policy and from the consequences—some of which we have already outlined—it still has other but less certain means at its disposal. It can, with the co-operation of its central bank, make money cheap and plentiful, thereby forcing down bank-deposit rates and the yield on "safety-first" securities, and so drive the savings of the nation into investment in productive enterprise. It can remit taxation to the absolute limit of safety, and so make enterprise more remunerative and add to the purchasing power of the community. If a surplus of idle capital still remains, it can start public works financed out of loans, on the assumption that if private enterprise cannot or will not absorb the savings of the nation, then public enterprise must fill the breach. It should be needless to add that all this must be done in such a way as to promote and not impair general confidence in the future of the nation and in its financial stability.

On the other hand, if the raising of the price of particular commodities is the objective, then the method to be adopted is that of the control, regulation and restriction of output, as exemplified in our current agricultural policy, so as to bring the supply of that commodity within the limits of the demand. It is this method that lies at the back of the 1930 Coal Mines Act, the Agricultural Marketing Act of this year, the quota provisions of the Ottawa Agreement and our more recent Commercial Treaties with foreign nations, and the new schemes dealing with pigs and milk. It necessarily involves the regulation of imports as well as of home production, and so impinges

upon problems of international and Imperial trade and political and commercial relations. The adoption of this method calls for great skill to ensure that it does not depress rather than raise the prices of primary commodities in the world's agricultural countries taken as a whole.

The real question for us to decide is which method ought we to adopt—that of raising the general price-level, or that of raising the prices of individual commodities? Or is it possible to combine them both? Some members of the Free Trade school of thought have come out boldly for the first method of general monetary and economic action directed towards a raising of the general price-level. They attack the second method on the ground that its whole motive is to raise prices by promoting scarcity, whereas the first method consists of the raising of prices by increasing purchasing power; and they point out, with some theoretical justification, that to raise by artificial means the prices of a limited list of specific commodities involves, in the absence of an advance in the general price-level, an equivalent depression of prices elsewhere. A purist could proceed to argue that the supply of commodities can safely be left to look after itself, if only Nature is left free to take her course. If there is a glut, the least efficient producers will one by one be driven out of the field and into bankruptcy, until finally the supply becomes adjusted to the demand. It is because of past attempts to regulate sales and bolster up prices that widespread gluts have arisen to-day.

The reply to these arguments is that we have to take the facts as we find them, and, whatever the cause, there is no doubt that a large number of primary producers are working at a loss. Were they all to be left to their fate, so many might be driven out of the field that in a very short time glut might be replaced by scarcity. Again, once agricultural production has been killed, it cannot be revived at a moment's notice. Harvests take time to ripen, and livestock takes time to reach maturity. It is quite a tenable proposition that in the world's present plight it is no longer safe to leave Nature free to work out its cure. The patient may die in the meantime.

It remains to sum up this examination of the problem. The first point which emerges is that we must not seek to bring about too rapid an increase in prices, and here we can regard American experience as a serious warning. Next, in making credit cheap and plentiful, we are working along the

right lines and are already achieving some measure of success. If simultaneously we take advantage of the present plethora of money and virtual unemployment of both short-term and long-term capital to complete our task of refunding the National Debt upon a $3\frac{1}{2}$ per cent. or even a 3 per cent. basis, we will have laid the foundation for a remission of taxation and the revival of general purchasing power and enterprise in years to come; and the excision of wasteful and unproductive Government expenditure will help further towards that end.

The promotion of public works of a productive character may also have its uses, but caution is necessary in two directions. Firstly, care must be taken to see that such works are really productive, and to ensure that they do not add to the future interest burden of the nation. Secondly, they must only be undertaken so long as they bring into employment capital which otherwise would have lain idle. The moment private enterprise revives and begins to compete with public enterprise for such capital as is available, then public enterprise should give way. The promotion of public works should be regarded as a stop-gap, designed to meet an abnormal state of affairs, in which capital is afraid to seek its usual employment in private channels.

So much for methods designed to stimulate the demand for commodities. When we come to the question of regulating their supply, still greater care is necessary, and here the governing principle must be that of elasticity. Any form of regulation, whether marketing or quota, tariff or treaty, should be elastic, so that it can be modified in the right direction at a moment's notice. It is true that some degree of stability is necessary, and to some extent this justifies the fact that the Ottawa Agreements, for example, were designed to remain in force for a period of five years. Yet it might have been advantageous if machinery had been simultaneously set up to enable specific provisions in those Agreements (and also in our foreign Commercial Treaties) to be modified without delay, and such machinery should be free from political pressure either at home or in the Dominions. Once any Government has decided that it is necessary for it to intervene in matters concerning the production and marketing of commodities, it should realize that it has undertaken a difficult and intricate task, which will frequently call for quick and certain decisions. Furthermore, it should regard its intervention as a temporary palliative necessitated by the abnormal

conditions of the day. Once trade has begun to revive and gluts to disappear, a Government should leave production and trade free to take their normal course.

This suggests that we should proceed slowly and cautiously, aiding and guiding Nature, instead of usurping its functions. Within these limits, there is a case to be made out both for the general economic and monetary policy of the Government and for its efforts to regulate the supply of commodities. We should, however, recognize that organized intervention of this kind means that we are treading upon very dangerous ground, and such intervention in the normal course of trade should be terminated as soon as circumstances permit.

Notes of the Month

The Money Market.—The banks have continued their efforts to raise discount rates to a more remunerative level, and during October lifted their buying rates for hot Treasury bills from $\frac{5}{8}$ per cent. first to $\frac{11}{16}$ per cent. and finally to $\frac{27}{32}$ per cent. It remains to be seen if eventually they can raise the rate to a full 1 per cent., so as to bring it to a par with the minimum rate for clearing bank loans to the money market, but even the rate of $\frac{13}{16}$ per cent. current towards the end of October compares very favourably with the low rate of $\frac{1}{4}$ per cent. current only five weeks before. The opinion has been expressed that the recent issue of £150 millions of $2\frac{1}{2}$ per cent. Conversion Loan may enable the Government to reduce the Treasury bill issue, thereby depriving the banks and the money market of Treasury bills, but in this connection it must be remembered that about one-third of the issue took the form of a conversion offer to holders of the 1934 Treasury bonds maturing next February. There is reason to believe that practically the whole of these bonds have been converted, and this means that only about £100 millions of the new loan were subscribed for in cash. Even so, this would permit the Government to reduce the Treasury bill issue by £100 millions, and were the whole of this reduction to fall upon the banks and the money market, it would undoubtedly lead to a serious depletion in their supply of bills. There is, however, no need to assume that this would be the case. Of the £973 millions of Treasury bills outstanding on October 14th, £563 millions were issued by tender to the banks, the money market, and other outside applicants; while the remaining £410 millions were taken up by Government departments. Should it be practicable to confine any reduction in the total issue of bills issued to Government departments, the market need experience no shortage of bills. In this connection it is significant that although during the week ended October 14th cash receipts of £19·2 millions in payment for the new Conversion Loan facilitated a reduction of £13·4 millions in the Treasury bill issue, allotments by tender for that week showed no reduction on the allotments for previous weeks. This looks as if, notwithstanding the Conversion Loan issue, the market will continue to receive an adequate supply of Treasury bills, and this will make it easier for the banks to maintain rates at their new and higher level.

The Foreign Exchanges.—Rates have been entirely governed by the course of events in the United States and on the Continent, and as a result wide fluctuations have occurred. Until the end of September there was a general belief that the American Administration would be driven to inflation, and as a result there were heavy transfers of funds from New York to Paris accompanied by speculative sales of dollars. This caused both the dollar and the pound to depreciate. Then came a change in the situation, for it appeared that the American Government were rejecting inflation, and were concerned more with maintaining the stability of the dollar while they carried out their big debt-refunding operation of early October. In the middle of this phase came Germany's withdrawal from Geneva, with its reactions upon the whole Continental political situation. As a result there was a hurried re-transfer of funds from Paris to New York, and a still more hurried covering of open bear positions in dollars. Thus sterling, which had risen to $4.86 in September, fell momentarily on October 16th to $4.40, while the franc similarly depreciated from Frs.79 to Frs.82¾ to the pound. A week later came President Roosevelt's broadcast address, with its suggestions of further inflation, and simultaneously the French Government was defeated on its proposals for balancing the budget. This impaired confidence in both the dollar and the franc and caused sterling to appreciate to $4.80 and Frs.83⅜. Rates have remained very erratic, but dollars and francs closed for the month at $4.77½ and Frs.80⅞, respectively, so that a slight net appreciation occurred.

The Stock Exchange.—While markets have naturally been unsettled by recent events, the undertone has remained very strong, and the firmness of the gilt-edged market in particular indicates that foreign money has recently been seeking refuge in sterling securities. A fair amount of speculation has also been in evidence, and this has been shifting from one market to another, kaffirs, rubber shares, tin shares and tea shares and industrials all coming under its influence. It has even spread to shares representing the more depressed industries, such as iron and steel, on the ground that nowhere else is there now much room for appreciation. It is significant, however, that home railway stocks which had previously undergone a big recovery in value have lately been a dull market, and the general view is expressed that current prices of industrial shares are now

high enough to discount any further recovery in trade at least for the next few months.

Overseas Trade.—The September trade returns record further progress. Imports have risen to £57·8 millions, compared with £56·8 millions in August and with £54·3 millions in September last year, while a similar improvement has occurred since last year in imports of raw materials. Exports of British goods have risen to £32·2 millions, against £31·0 millions in August, and £26·2 millions in September last year. The returns for the first nine months of the year are summarized below :—

Description.	Jan.-Sept., 1932	Jan.-Sept., 1933	Increase (+) or Decrease (−)
	£ mn.	£ mn.	£ mn.
Total Imports	520·2	487·8	−32·4
Retained Imports	481·2	450·6	−30·6
Raw Material Imports	123·2	129·5	+ 6·3
Manufactured Goods Imports... ...	118·3	108·8	− 9·5
Total Exports, British Goods	271·1	268·4	− 2·7
Coal Exports	23·6	23·2	− 0·4
Iron and Steel Exports	20·8	21·3	+ 0·5
Cotton Exports	48·3	44·5	− 3·8
British Manufactured Goods Exports...	206·8	206·0	− 0·8
Re-exports	39·0	37·2	− 1·8
Total Exports	310·1	305·6	− 4·5
Visible Trade Balance	−210·1	−182·2	+27·9

A review of the year to date is distinctly encouraging, for imports of cotton, wool and hides are in quantity up to or above the 1928–29 level, while iron ore imports are more than 50 per cent. above those of the first nine months of last year. Exports of British manufactured goods are not relatively as good, but exports of linen piece-goods are above the 1928 level, while those of motor cars are more than twice as great as they were during the first nine months of 1928. The adverse trade balance for the first nine months of this year is £183 millions. This compares with parallel figures of £210 millions for 1932, £281 millions for 1931, and £260 millions for 1928. There are good hopes that this year's figure will be small enough to rectify our adverse balance of payments of the last two years.

Home Reports

The Industrial Situation

The general trade position is on the whole encouraging. The autumn is now well advanced, and it is clear beyond question that the summer revival in internal trade is being well maintained. The unemployment returns, railway goods traffic receipts and steel production all point to the same end. Again, this year's motor show was a pronounced success, and reports from Middlesbrough state that the heavy stocks of pig-iron which have long been standing on the North-East Coast are at last being brought within manageable dimensions. More significant still, international trade is at last beginning to show signs of revival. Our own raw material imports are definitely encouraging, and reports from several foreign countries also tell of greater activity in both import and export trade. It is true that so far there has been little, if any, relaxation of international trade and exchange restrictions, while recent political events are not calculated to assist world trade, but even so some countries are at last slowly making progress.

Agriculture

England and Wales.—Harvesting was practically completed by September, and grain is of good quality. Main-crop potatoes are satisfactory and generally free from disease, but tubers are small and the yield only just about average. The drought adversely affected turnips and swedes, and the sugar-beet yield is expected to be below average. Sheep were in fair condition during September, but the drought had affected milk yields.

Scotland.—Potato lifting is now practically completed and the crop generally is under average. Prices are steady. Turnips are poor and there is likely to be a shortage during the winter. In the grain markets wheat has been easier, but barley continues to meet a good demand. Oats are dull. The livestock markets have been well supplied, and trade in prime bullocks and sheep has been firm.

Coal

Hull.—Outputs have increased, and there is a larger quantity of coal on the export market. Demand is steady and prices remain firm.

Newcastle-upon-Tyne.—A considerable amount of new business has developed, particularly in steam coal, and most Northumberland collieries are well placed. Durham gas and coking coal are moving slowly, but an improvement is expected as the season advances. Coke is in good demand and prices have advanced. Home demand is increasing and export trade is expected to follow.

Sheffield.—Business has shown some improvement. Orders and enquiries are far more numerous than for some weeks, and the export market shows increased activity.

Cardiff.—Conditions remain unchanged, except that low volatile sized grades are rather better placed. The coke market tends to improve, mainly on inland demand, and furnace sorts are dearer. The anthracite market is strong.

Newport.—Foreign shipments have decreased but total shipments have improved. Demand for Monmouthshire coal is spasmodic and, while sized coals and smalls are in demand, large coal is difficult to sell.

Swansea.—Best quality anthracite continues in demand, and prices are well maintained. Second and inferior qualities, however, are not doing so well. No change is apparent on the steam-coal market.

East of Scotland.—In both Fife and the Lothians demand for steam coal continues strong, and certain qualities are practically unobtainable. Washed fuels are scarce. Household coal is meeting the usual increased seasonal demand.

Glasgow.—A seasonal improvement has imparted strength to the export market, the main feature of which is the firmness of screened steam qualities and washed nuts. Exporters, however, are not doing much long-term business with foreign countries, as the prices tendered are generally unacceptable. Dealings consequently are mainly of a day-to-day order.

Iron and Steel

Sheffield.—The recent substantial improvement continues. The basic-steel section is still producing at full capacity, and motor trade requirements are expanding. Shipbuilding and railway orders have also improved, but are still below normal. Stainless and acid-resisting steels continue to be an active section.

Tees-side.—Trade continues to expand, and steps are being taken to increase production to keep pace with market requirements. Cleveland pig-iron is very scarce, stocks having been liquidated, and production is insufficient to meet current orders. The huge stocks of hæmatite iron which hitherto have been hampering business have been greatly reduced, and demand is increasing steadily. Prices are tending upwards and customers are now anxious to contract for delivery over long periods ahead. The output of semi-finished steel is well maintained, and there is a slight improvement in enquiry for constructional materials. Much plant, however, still remains idle, owing to the dearth of orders for shipbuilding and railway specifications.

Newport.—The figures for imports and exports show improvements both over the month and over the quarter as compared with the previous period.

Swansea.—The tinplate trade worked at about 63 per cent. of capacity during September. Prices have eased a little, but demand is better and sufficient orders are booked to ensure working up to 75 per cent. of capacity until the end of January next. The week ending October 7th showed the largest weekly sale of tinplates since the formation of the present pool. There is no change in the steel trade, and no foreign tinplate bars were imported in September.

Glasgow.—Home demand is well maintained, but exchange fluctuations make it difficult to do business in overseas markets. Sheets are selling well for home account, but export business is quieter, and though such plant as is in operation is steadily employed, output is much less than the productive capacity of the works. Wrought-iron orders are still scarce and business is needed by steel re-rollers, who are faced by Continental competition. There has been a slight increase in demand for foundry pig-iron, but the number of furnaces in blast remains unchanged.

Engineering

Coventry.—Motor car and cycle manufacturers are settling down to the production of 1934 models. The motor show results are generally felt to be favourable. The pedal cycle trade continues to improve. Business in the smaller types of electrical apparatus is said to be very good.

Leeds.—Some of the smaller engineering firms are doing better, but there is little, if any, improvement on the heavy side.

Luton.—The motor industry is very busy upon home and export orders received at the show, and makers of light and heavy trade vehicles are also well occupied. General engineering shows distinct signs of improvement, and the hydraulic engineering section is very good.

Sheffield.—Conditions continue to improve, and future prospects are hopeful. Almost every section of the tool trade is busy, and many firms are working overtime. Farm and garden tools have had a good season, and many orders have been diverted from Germany to this country. Manufacturers of engineers' small tools report that demand is improving.

Wolverhampton.—The steady advance continues.

Glasgow.—Marine and general engineering trades continue to show improvement. A considerable volume of orders for turbines and boilers are involved in the Admiralty work, the Clydeside share of which amounts to about 1,000,000 h.p. for turbines alone. Sugar machinery makers are still busy on the plants ordered for India.

Metal and Hardware Trades

Sheffield.—There are at last distinct signs of an improvement in both the silver and cutlery trade. This improvement is affecting all branches, including sterling silver, E.P.N.S. ware, chromium-plated ware, spoons and forks, and table knives of the better medium grades as well as the cheap lines. Part of this increase may be due to seasonal demand, but trade is certainly better.

Cotton

Liverpool.—The market continues quiet, but values are only slightly lower than those last recorded, December "futures" now ruling at 5¼d. per pound. Operators still await developments in American fiscal and agricultural policy, and are generally holding aloof. The prevailing uncertainty as to the future trend of prices was well demonstrated on the publication of the October Bureau figures, when the market advanced despite an estimate some 300,000 bales in excess of expectations. The Report predicted a crop of 12,885,000

bales, with an acreage yield estimated as high as 205. Rumours of the formation by the American Administration of a Commodity Credit Corporation helped momentarily to support prices, but until the outlook is more clearly defined it is not surprising that values should show a tendency to decline. The volume of spot sales has been more encouraging than of late, but the weight of seasonal arrivals has served to keep the basis low and irregular. The movement of the crop is progressing under good conditions, and is bringing in increased hedge selling which the market finds it difficult to absorb. Manchester trading shows no improvement, but though exports to China have fallen off, fair bookings in printed and dyed goods for South America have been reported. September textile figures from Worth Street disclose the anticipated slowing down in mill activity in the United States, and Lancashire advices reflect no noteworthy expansion of business.

Wool

Bradford.—The market continues to improve and prices remain firm. The output of combers is readily absorbed, and there is no indication of any falling-off in consumption.

Huddersfield.—Trade continues good, and some manufacturers are steadily increasing their output, while many are regularly working overtime. The cheaper and medium grades of men's and women's wear are being taken up well, while many manufacturers are busy showing spring samples in ladies' wear, quite a number of orders being booked. In the fine worsted trade demand has fallen off since last month. The export trade in worsteds is suffering from exchange restrictions abroad.

Hawick.—The Border tweed manufacturers are busier. Additional repeat orders are being received for the winter season, and confirmations for next spring are more in evidence. There have been a number of orders from Central Europe. The hosiery trade is also better, but dyers and spinners still complain of a shortage of orders. The wool market shows a steadier appearance.

Other Textiles

Dundee.—The jute market is suffering from the fall in the price of the raw material, and although the fibre is cheaper

buyers are not placing orders of any volume. In the hessian cloth section fair quantities of small lots are being ordered, but early deliveries are not readily obtainable.

Dunfermline.—In the Fifeshire linen trade a fair amount of home business is being done and trade generally promises to improve, but exchange difficulties and uncertainties are impeding trade with the United States. Flax is only being purchased in small quantities owing to uncertainty as to values when the Soviet comes into the market as a serious seller.

Leather and Boots

Northampton.—The shoe and leather fair caused some enquiries to come forward, but so far orders are irregular. A few firms who are willing to accept prices at the level of a few months ago are fully occupied. Orders for leather are coming in fairly well, and the market is very firm.

Walsall.—Leather prices have been advancing for the last six months, and local fancy leather goods firms are still busy. A better tone appears to exist in buying circles and the demand for goods of higher quality is increasing. Export trade remains quiet.

Clothing

Leeds.—Clothiers continue to be well employed, and are now busy on winter goods.

Luton.—The autumn ladies' hat trade has become busier, owing to the advent of more seasonable weather.

Shipping

Hull.—Freights still remain at a low level but in some directions there are signs of improvement.

Liverpool.—There is no noteworthy change in freight values. Grain chartering from Black Sea ports has been more active than of late. Timber shipments have also been on a heavier scale, mostly from Baltic sources. The limited demand for grain has handicapped business in the River Plate section, but rates are now fractionally higher. Outward coal continues a steady feature, and some improvement has been shown in loadings to the Far East.

Newcastle-upon-Tyne.—Chartering is inactive and rates have further fallen in shippers' favour. Rates to West Italy are lower than they have been for some time.

Cardiff.—Freights are easy, especially for the larger class of tonnage, and exceedingly low rates have recently been accepted for the Mediterranean direction.

Newport.—Liner sailings have been well maintained.

East of Scotland.—The volume of export trade at Leith Docks has shown an all-round improvement and there has also been considerable activity in imports, notably grain and wood. At mid-October there were over thirty vessels awaiting coal shipments at the Forth ports.

Glasgow.—The market for tonnage to carry coal to foreign countries is dull. The coasting, Bay and Mediterranean trades are very quiet, and interest centres chiefly in the Baltic season, in which a moderate volume of business is being done at steady rates.

Foodstuffs

Liverpool, grain.—Wheat has been a weak market, and December options rule nearly 6d. per cental lower on balance than a month ago. The re-entry of Russia as a shipper and Canadian pressure to sell at competitive figures have conduced to the lower price-levels now obtaining. From the speculative standpoint, there is little doubt that operators are losing faith in the efficacy of the American "Recovery Plan," and in face of the supply position, are reluctant to buy at existing prices. Trading has been quiet, but British millers have taken fair quantities of Canadian in preference to Soviet wheat, the quality of which is reported to be poor. The published figures of the International Institute of Agriculture confirm the view that Europe's import requirements will, by reason of the abnormally good harvests, be materially reduced this season, and informed opinion predicts a much-restricted general trade. Flour prices show a further reduction, the Liverpool ex-mills quotation now ruling at 21s. 6d. per sack. The effect of drought conditions on home pasturage was evidenced by an improvement in the demand for maize, but as Continental takings were considerably lower and shipments rather above normal, prices have again declined, spot Plata now being quoted

at 3s. 6d. per cental. The edict of the Irish Free State, compelling millers to utilize home-grown grain in their mixtures, should tend further to restrict importations.

Liverpool, provisions.—In Continental bacon consumptive demand has been inactive, but the quota rates have had the effect of maintaining values. American descriptions were a nominal market, and the demand for hams proved quiet, with prices easier. Lard continued in moderate request at fluctuating values. The butter trade was dull, with a fair demand in the earlier part of the month, owing to the low retail rates then ruling; a smart advance took place later which checked consumption. Demand for Colonial cheese has been very disappointing, but prices of home varieties advanced by nearly 50 per cent. Supplies, however, appear to be more than sufficient to meet all enquiries. Canned meats and fruits were steady at about unchanged rates.

Fishing

Brixham.—September landings improved slightly, and prices showed little change. The mackerel harvest has been poor and disappointing.

Lowestoft.—The quantity of fish landed by British vessels during September amounted to 54,650 tons to the value of £899,463. This is an increase of 1,500 tons in quantity but a decrease in value of approximately £73,000 as compared with September, 1932. Imports of fish from foreign sources decreased by 650 tons, their value declining by £12,000. A slight increase in the landings of herrings met a much-improved market, the value of the catch showing an increase of no less than £11,000.

Penzance.—Fishing has been fairly good for the time of year. Ray and skate have been in good demand with prices high. Long-line fishermen have done well, but trawl fish are scarce, prices, however, being good. The pilchard fishery is now over, but a few good catches were landed during October.

Scotland.—The Scottish fleet operating in English waters is meeting with a fair degree of success, and some good catches have been landed with prices generally at a satisfactory level. There have already been some heavy catches on the West Coast of Scotland and these point to a good winter season. Line-fishing round the coast has been poor.

Other Industries

Carpet-making.—Recent increases in wool prices have caused an influx of orders at Kidderminster. Prices are low and the general improvement in trade in the country has helped to keep the looms running to their utmost capacity. Orders for the better qualities are increasing. Scandinavian and Dutch demands are as good as usual, while trade with Australia and New Zealand has much improved.

Paper-making and Printing.—The rather better outlook in the Edinburgh paper-making trade continues, particularly with regard to the possible revival of export business with the Far East. The printing branch is also a little better, partly on special lines connected with the Christmas trade, but there is still a good deal of leeway to recover.

Pottery.—Manufacturers are busier than they have been for some time, and Christmas orders show an improvement on last year. September foreign trade returns record an encouraging increase in exports over August, but the Canadian trade continues disappointing.

Timber.—Hull reports that business has been carried on briskly in the softwood trade and there are many enquiries. Prices remain very firm. There are no prospects of obtaining any big lines for shipment this season, and importers have shown interest in shippers' small clearance balances. Several sales from South Finland are reported, and a few large contracts have been made with Swedish sellers. All the prices paid show big advances, ranging up to £3 per standard.

Tin-Mining.—Redruth reports no fresh developments, the price of the metal still being satisfactory. The Cornish tin producers have agreed not to flood the market, but they are not restricted in the same way as Malayan and other producers.

Overseas Reports

Australia

From the National Bank of Australasia Limited

Good rainfalls have greatly improved prospects for the coming season, but production of wool, wheat and butter and also the exportation of lamb are likely to be below last year's level. The improvement in the price of wool, skins and hides is reflected in the exports for July-August, which amounted to £11 millions sterling, against £8 millions sterling in July-August, 1932. The trade balance for these two months is also £1·6 millions sterling in Australia's favour, against an adverse balance of £2 millions sterling for July-August, 1932. The reductions in taxation embodied in the Commonwealth budget are regarded as a courageous attempt to promote the revival in trade by lowering costs and stimulating enterprise. The New South Wales state budget also provides for reductions in certain taxes.

Canada

From the Imperial Bank of Canada

Business has definitely improved since earlier in the year. Employment has increased by 246,000 since the end of March, bank debits for the first eight months of the year show a gain of more than 15 per cent., consumption of electricity is over 20 per cent. above last year's figures, and the production of automobiles is continuing at about 50 per cent. above last year. Other industries, including newsprint, lumber and foodstuffs, also show improvements, while iron and steel production has been well maintained. It is noticeable, however, that the rate of improvement has recently tended to slow down. This year's crops are disappointing in Western Canada, and prices are becoming less assured, while the doubtful American outlook is also affecting Canada. The improvement in the New York exchange since the American suspension of the gold standard has proved helpful in lightening the cost, in Canadian dollars, of discharging outstanding indebtedness to the United States. Nor are Canadian manufacturers being exposed to fresh American competition, for the depreciation of the American dollar is almost completely offset by recent increases in American production costs.

India

Bombay.—Raw cotton prices eased during September in sympathy with poor advices from abroad. Buyers were holding off during the negotiations between the Indian, Lancashire and Japanese cotton delegations which were being watched with great interest. Enquiry for Manchester goods has been very limited, but prices were low enough to permit of a small amount of trade. There has been some activity in Japanese goods, but sales were not so good as they were a few weeks before. Business in Indian goods has been very dull and unsatisfactory.

Calcutta.—Although a fair amount of business has been done with mills, the loose jute market has been depressed as a result of the unexpectedly large official crop estimate of 7,933,200 bales, and prices have lately been very easy. The baled jute market was also weak. Tea prices fell at the beginning of September, but the loss had been recovered by the end of the month.

Rangoon.—The rice market has been steady, but there is no improvement in outside demand. Paddy is firmly held. A fair amount of European enquiry for timber is coming forward, but sales are limited and prices unsteady. Indian demand for squares has fallen off slightly, but there is a better feeling in the Bombay market. Demand for hardware is no better and at current prices dealers have no encouragement to buy forward.

Irish Free State

In the livestock markets there is a steady demand for the better classes of animals, but offerings have increased, and prices of dairy cattle show declines ranging from £1 to £2 a head. Trade in sheep is firmer, and there is a keen demand for pigs. Some difficulty is being experienced in marketing this season's grain crops, which was above the average in size, chiefly because of the Government's assurance of a ready market and a fair price. It is expected that the Department of Agriculture will formulate proposals to meet the situation. One of the chief results of the present Irish tariff policy is the establishment of a large number of new industrial undertakings. Registrations of new companies during 1932 amounted to 166 with an aggregate share capital of nearly £18 millions.

France

From Lloyds & National Provincial Foreign Bank Limited

The 1934 budget proposals, first submitted to the Chamber on October 17th, were designed to meet a deficit of Frs.6,000 millions. In their original form, Frs.2,000 millions of the deficit was to be met by economies in salaries and pensions, and the remaining Frs.4,000 millions by adjustments in taxation and by special measures. The chief change in taxation was the substitution of a new petrol tax for the existing duties on motor vehicles. This was estimated to yield an additional Frs.450 millions. These proposals were defeated in the Chamber, and the Government resigned. The Bourse has recently been very quiet, as international developments, the budget uncertainty and foreign exchange fluctuations have all acted as a deterrent to the general investor.

Bordeaux.—The vintage is now practically complete. Quality appears good, but quantity is slightly below normal. Business is quiet but firm. A few weeks ago there was a serious fall in resin prices, but the market has since rallied and there is a good demand.

Le Havre.—The cotton market is quiet and prices have sagged. Home demand for raw cotton is steady, but some spinners report a serious decline in demand. Coffee prices are mainly influenced by the fluctuations in the dollar, but a hopeful view is taken of the outlook, and it is thought that once a buying movement could begin, it would rapidly develop.

Lille.—Business in raw flax is quiet and prices are weak. Spinners, however, are adopting a firm attitude and are refusing to accept fresh orders at lower prices. The outlook in the cotton-spinning trade is uncertain, and prices are irregular. Business remains a little more satisfactory for weavers, and prices are also being maintained.

Marseilles.—Trade in ground-nuts and copra remains very dull, as consumers have still ample stocks in hand, consisting of importations made in anticipation of the new duties imposed in early August. Business in olive-oil is also very restricted. The yield of the new crop in countries bordering the Mediterranean is estimated at 770,000 tons, against 800,000 tons last year.

Roubaix.—The tops market has been unsteady, partly because of a certain lack of confidence in the future, and partly because current tops prices are low in comparison with replacement costs. There has been the usual seasonal decline in combing activity, and some mills are not working at more than 50 per cent. of capacity. This relative inactivity will last till the middle of November, when the first of the new wool clip is due to arrive. Spinners are more active, and some of the larger mills are working at 70 per cent. of capacity. There is a strong home demand for hosiery yarns. Some manufacturers of low-grade cloth are doing well. Unemployment has improved slightly, but export trade remains very difficult.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Brussels.—Demand for house coal is improving but is below normal for the time of year. Sales of industrial coal are unsatisfactory, and foreign competition is very keen. The iron and steel trades are seriously affected by the depreciation of the pound and the dollar, but some orders have lately been received from Scandinavia and from the Near and Far East.

Antwerp.—Trade has been disturbed by the international political situation, and there has been a general reaction in commodity prices. Conditions in the diamond trade are mainly unchanged, but stocks of polished diamonds have been slightly reduced during the past two months.

Germany

Apart from a slight seasonal recession in certain industries, a further improvement took place during September. Unemployment was reduced from 4,124,000 to 3,850,000, and while a moderate increase is expected during the winter months, it is pointed out that there has been a total reduction of 2,000,000 since February. September Ruhr coal production averaged 253,000 tons in September, against 244,600 tons in August, but steel production has fallen from 706,000 tons in August to 632,000 tons in September. Still, as the output for September, 1932, only amounted to 394,000 tons, there has been a great improvement over the past year. The Minister of Labour has recently issued a new decree to the effect that existing wage

rates are to be maintained for the present. He has also issued a warning against any raising of prices, and it is believed that this stability is to be maintained over the winter months.

Holland

The most important event in the new Parliamentary year has been the presentation of the budget. Owing to the fact that the maintenance of the unemployed now falls upon the ordinary revenue of the country—whereas last year a special fund was available—the deficit is estimated at Fl.191 millions. To meet it the Government propose economies up to an amount of Fl.84·5 millions and new taxation to yield Fl.106·5 millions. The new taxes embrace a 2 per cent. tax on Dutch bonds and all foreign securities, a tax on property in mortmain, a " crisis " income tax, and the new turnover tax which has already been approved by Parliament. The latest trade returns show that both imports and exports are steadily expanding. Between June and September imports have increased from Fl.97 to Fl.111 millions, and exports from Fl.62 to Fl.74 millions. A particularly gratifying feature of the returns is the increase in raw material imports.

Norway

Little change is noticeable in general business conditions. Exports for September amounted to Kr.54·7 millions, a figure which compares favourably with those of Kr.44·7 millions for last August and Kr.48·6 millions for September, 1932. Imports, however, have fallen to Kr.57·5 millions, against just over Kr.61 millions for both last August and September last year. There has been a further marked decrease in the quantity of idle tonnage, the returns for October 1st showing that 127 vessels of 682,225 tons d.w. were laid up, against 165 vessels of 861,700 tons d.w. on September 1st. Unemployment, on the other hand, rose between August and September from 27,459 to 32,848, and the latest figure does not compare too favourably with the return of 30,963 for the corresponding date last year. Wholesale prices remain very steady. The new production agreement between the whaling companies has now been signed. The maximum output envisaged by the agreement is 2,051,202 barrels for the year 1933–34. This amount

is 200,000 barrels below the 1932–33 agreed output, but one of the companies which adhered to last season's agreement has not signed the new undertaking.

Sweden

Timber sales to the middle of October amounted to 765,000 standards, against sales of 615,000 standards to the corresponding date last year. Very little timber is now available for sale this year, and some Danish contracts have already been placed for delivery next year. Spanish buyers, however, are holding back as they are awaiting the results of negotiations now proceeding with Russia. Good sales of paper pulp have lately been made, and it is estimated that 35 to 40 per cent. of the 1934 output of chemical pulp has already been sold, while contracts have been signed disposing of about 55 per cent. of next year's wet pulp production. Conditions in the paper trade are unchanged, but Scandinavian manufacturers of newsprint have already sold this year's output. The Kraft paper market has been successfully stabilized by " Scankraft," the leading organization in the trade, and prices charged to British and Irish buyers have been raised by five shillings a ton.

Denmark

Wholesale prices generally had a rising tendency during September, the index number for that month being 128, against 126 in August and 119 in September last year. Details of the twelve months' movement show that the price index number for imported goods has risen from 122 to 133, while prices of exported goods have increased from 95 to 113. It is, however, doubtful if this last increase will be maintained, for heavy sales from British stocks depressed butter prices from Kr.208 per 100 kilos on September 14th to Kr.184 a month later, and bacon prices have also declined from Kr.142 to Kr.132 per 100 kilos. Egg prices are seasonally higher.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

Imports have improved from Frs.122·6 millions in August to Frs.136·2 millions in September, the increase being chiefly in raw materials and foodstuffs, particularly wheat. Exports

have also risen from Frs.64·4 millions to Frs.71·4 millions. This increase is partly due to a seasonal expansion in exports of watches, but improvements have also occurred in exports of certain textiles and foodstuffs. Unemployment has again fallen, and business generally appears more hopeful than has been the case for some time.

Spain

The dissolution of the Cortes Constituyentes, which was summoned in July, 1931, to frame the new constitution, is viewed with satisfaction. Elections will be held on November 19th, and the new Parliament will meet on December 8th. Compared with the first eight months of 1932, imports have fallen by 103 million gold pesetas to 531 millions and exports by 55 millions to 438 millions. An agreement as to production and prices is reported to have been reached by 90 per cent. of the sugar producers in Spain. An estimated deficit in next season's production is expected to absorb part of the excessive stocks which have for some time weighed on the market. The attempt to control the price of this season's vintage has not proved successful. The measure was designed by the late Azaña Government to assist the many small growers, but in effect it has stifled demand and large quantities of fruit remain unsold. Negotiations are in progress for a new commercial agreement with France who desires to balance her trade with Spain.

Morocco

From the Bank of British West Africa Limited

Business continues to be affected by the price restrictions on soft wheat imported into France, and other markets are being sought. Still, markets generally show some improvement over the past two months. The cotton piece-goods market still favours Japan, but prices are hardening and stocks of Manchester goods are low. Fairly large imports of China green tea have lately arrived, and prices are lower. Total imports into French Morocco during 1932 are returned at Frs.1,785 millions, and total exports at Frs.685 millions. Imports of British goods for that year amounted to Frs.137 millions, and exports to Great Britain totalled Frs.27 millions. These figures are disappointingly low.

The United States

The outlook is still very uncertain. At one time it looked as if the Administration were moving towards the stabilization of the dollar at an early date, but President Roosevelt's broadcast address of October 22nd, with his declaration that a further rise in American internal prices must precede stabilization, has apparently put an end to all suggestions of that kind. Reviewing the general state of production and business activity, recent reports suggest that the recession which began in July may now be nearing its end, leaving trade in a position intermediate between the extreme depression of last year and the peak of last July. While prices of primary products are appreciably higher than they were last April, numerous heavy falls were registered in early October, and as retail prices continued to advance, there was a big contraction in the real income of primary producers. This explains the present discontent of farmers, and also the efforts being made to assist agriculture. As regards wages and salaries generally, the lower-paid workers have probably gained on balance through the application of the labour codes, but among other classes the rise in retail prices must have far outstripped any improvement in money earnings, so that in reality they are worse off than they were earlier in the year. The fact that retail sales have been declining, while retail prices are advancing, is an ominous indication of the state of general purchasing power. It is also noticeable that such expansion in production, as has occurred since April, is confined largely to consumption goods, as distinguished from plant, machinery and tools designed for use in producing other goods. The difficulty here is that the instability of the dollar and the stringent control over the issue of new capital imposed by the Securities Act have almost completely closed the new capital market, with the result that fresh capital expenditure is being financed mainly by Reconstruction Finance Corporation loans. This, again, is an abnormal state of affairs, and unless and until capital is free to move into use through the customary channels, it is not easy to see how there can be a revival in the demand for capital goods such as those specified above. Meanwhile, Congress is due to meet in a few months' time, and the immediate question is whether President Roosevelt can formulate and carry into effect a definite and practicable monetary policy in time to enable him

to resist successfully the pressure that is likely to be forthcoming from the inflationist elements in Congress.

Japan

Exports for September amounted to Y.181 millions, while imports were valued at Y.135 millions. In September, 1932, exports totalled Y.140 millions and imports totalled Y.96 millions. Exports for the first nine months of this year are returned at Y.1,351 millions, or a gain of Y.415 millions over last year; while imports were valued at Y.1,421 millions, or a gain of Y.370 millions. The excess of imports has thus been reduced by Y.45 millions. Last September there were increases in exports of canned goods, provisions, and cotton and rayon textiles. Shipments of raw silk declined, and the market has been dull. Cotton yarn production for September totalled 260,680 bales, or an increase of 7,000 bales over the previous September figures. This latest figure also constitutes a new high record. The rayon industry continues to make good progress. The law relating to the consolidation of the iron and steel industry was promulgated on September 25th, and the formation of the new company is now in progress. This year's rice harvest shows an increase of nearly 6 million koku, or not quite 30 million bushels, and its size is causing growers some anxiety.

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts &Advances.
	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
1932.							
October 26 ...	*139·4*	*358·4*	*57·0*	*41·8*	*77·3*	*67·0*	*11·6*
1933.							
October 4 ...	190·4	373·7	78·1	47·4	108·6	81·1	11·1
October 11 ...	190·4	372·4	79·3	47·7	111·3	81·1	10·9
October 18 ...	190·4	370·6	81·1	48·0	109·0	81·5	8·5
October 25 ...	190·4	369·3	82·5	49·7	104·1	78·0	8·5

2. TEN CLEARING BANKS

Date.	Deposits.	Acceptances.	Cash.*	Call Money.	Bills.	Investments.	Advances.
1932.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
September	*1,864·9*	*74·8*	*228·7*	*113·7*	*392·2*	*383·0*	*802·7*
1933.							
April...	1,930·4	94·2	261·9	104·7	337·8	517·2	763·6
May	1,944·0	96·5	249·3	97·7	346·1	530·4	774·8
June	1,978·2	97·4	259·6	101·2	351·8	544·4	775·2
July	1,973·4	108·0	247.7	95·9	362·2	554·0	767·6
August	1,965·6	105·5	248·3	90·7	359·0	563·4	758·2
September	1,957·9	105·9	253·7	90·6	355·0	563·2	749·7

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK, RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.				
			1929.	1930.	1931.	1932.	1933.
			%	%	%	%	%
1902	58·2	January	46·8	45·1	45·9	46·5	46·3
1914	49·9	February	45·9	44·2	45·1	44·7	45·8
1919	60·7	March	45·2	44·5	45·3	44·7	45·8
1920	56·7	April	44·9	45·1	45·0	45·2	46·0
1921	50·7	May	44·1	44·0	44·8	45·3	46·4
1926	48·6	June	44·5	44·4	45·4	45·4	47·1
1927	47·4	July	45·4	44·7	45·7	46·0	47·4
1928	46.4	August	45·3	44·4	45·7	45·7	47·9
1929	45·2	September ...	45·3	44·7	45·0	45·2	47·8
1930	44·7	October	45·6	44·8	45·3	45·2	
1931	45·4	November... ...	44·7	44·8	45·3	45·2	
1932	45·4	December... ...	45·3	46·0	46·7	46·2	

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	London.			New York.		
	Bank Rate.	3 Months' discount Rate.	Day-to-day Loans.	Re-discount Rate.	90 Days' eligible Bank acceptances.	Call Money.
1932.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
October 26 ...	*2*	$\frac{13}{16}$—⅞	½—*1*	2½	⅝	*1*
1933.						
October 4 ...	2	$\frac{11}{16}$—¾	½—1	2½	⅝	¾
October 11 ...	2	$\frac{11}{16}$—¾	½—1	2½	⅝	¾
October 18 ...	2	$\frac{13}{16}$	½—1	2½	⅝	¾
October 25 ...	2	⅞	½—1	2	½	¾

2. FOREIGN EXCHANGES

London on	Par.	1932. Oct. 26	1933. Oct. 4	Oct. 11	Oct. 18	Oct. 25
New York ...	\$4·866	3·29¼	4·76⅜	4·65¼	4·58⅜	4·77¼
Montreal ...	\$4·866	3·61⅜	4·85¼	4·76¾	4·72	4·85¼
Paris	Fr. 124·21	83$\frac{11}{16}$	78$\frac{23}{32}$	79$\frac{5}{32}$	81$\frac{1}{16}$	80$\frac{23}{32}$
Berlin	Mk. 20·43	13·85⅝	12·93½	13·02⅜	13·27½	13·27⅝
Amsterdam ...	Fl. 12·11	8·18⅜	7·63½	7·70	7·88	7·85
Brussels ...	Bel. 35	23$\frac{21}{32}$	22·10⅝	22·30	22·75½	22·74
Milan	Li. 92·46	64$\frac{5}{16}$	58$\frac{11}{16}$	59⅛	60$\frac{5}{16}$	60$\frac{1}{16}$
Berne	Fr. 25·22½	17·07	15·89	16·03	16·37½	16·36
Stockholm ...	Kr. 18·16	19·20	19·38½	19·39	19·39	19·39
Madrid ...	Ptas. 25·22½	40¼	36$\frac{27}{32}$	37$\frac{5}{32}$	37$\frac{15}{16}$	37⅞
Vienna ...	Sch. 34·58½	28¾*	28½*	28*	28½*	29*
Prague ...	Kr. 164·25	111¼	103¼	104½	106¾	107⅞
Buenos Aires ...	47·62d.	42⅝†	45½†	45†	44¾†	43¾†
Rio de Janeiro	5·89d.	5$\frac{13}{32}$†	4$\frac{5}{16}$†	4½†	4¾†	4⅜†
Valparaiso ...	Pes. 40	54½†	50·70†	51·00†	52·10†	52·20†
Bombay ...	18d.	18$\frac{5}{32}$	18$\frac{1}{16}$	18$\frac{1}{16}$	18$\frac{3}{32}$	18
Hong Kong ...	—d.	16⅜	17¼	17	17½	17
Shanghai ...	—d.	21¾§	15⅜	15⅜	15¼	15¼

* Nominal. † Official rate. § Per tael; this year's rates represent pence per dollar.

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To Oct. 21 1933.	To Oct. 22 1932.	Expenditure.	To Oct. 21 1933.	To Oct. 22 1932.
	£ mn.	£ mn.		£ mn.	£ mn.
Income Tax ...	49·8	52·9	Nat. Debt Service	129·3	156·5
Surtax	9·6	11·6	Northern Ireland Payments...	3·1	3·2
Estate Duties ...	48·1	43·1	Other Cons. Fund Services...	1·8	1·3
Stamps	9·4	7·5	Supply Services	235·0	239·5
Customs	100·6	93·9	Ordinary Expenditure ...	369·1	400·5
Excise	60·8	70·6	Sinking Fund	—	13·7
Tax Revenue ...	280·1	281·2	Self-Balancing Expenditure ...	38·2	37·8
Non-Tax Revenue	28·8	21·8			
Ordinary Revenue	308·9	303·0			
Self-Balancing Revenue	38·2	37·8			

1. PRODUCTION

Date.	Coal.*	Pig-Iron.	Steel.
	Tons mn.	Tons thou.	Tons thou.
1932.			
September	*3·7*	*260*	*430*
1933.			
April	3·9	325	510
May	3·9	340	600
June	3·5	346	569
July	3·7	344	568
August	3·4	363	551
September	3·9	360	669

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1932.	£ mn.	£ mn.	£ mn.	£ mn.
September	*30·6*	*11·2*	*12·1*	*54·3*
1933.				
April	26·4	13·0	11·4	51·2
May	30·0	14·5	12·6	57·3
June	27·3	14·0	12·2	53·8
July	26·3	14·9	12·0	53·7
August...	27·0	16·4	13·0	56·8
September	29·8	14·5	13·1	57·8

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1932.	£ mn.	£ mn.	£ mn.	£ mn.
September	*2·5*	*3·2*	*19·8*	*26·2*
1933.				
April	1·9	3·1	20·5	26·4
May	2·2	4·2	23·5	30·8
June	2·0	3·7	21·7	28·5
July	2·3	3·9	22·8	29·8
August...	2·3	3·8	23·9	31·0
September	2·6	4·1	24·6	32·2

4. UNEMPLOYMENT

Date.	1927.	1928.	1929.	1930.	1931.	1932.	1933.
End of—	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
January ...	12·0	10·7	12·2	12·6	21·5	22·4	23·1
February ...	10·9	10·4	12·2	13·1	21·7	22·0	22·8
March	9·8	9·5	10·1	14·0	21·5	20·8	22·0
April	9·4	9·5	9·9	14·6	20·9	21·4	21·4
May	8·7	9·8	9·9	15·3	20·8	22·1	20·5
June	8·8	10·7	9·8	15·4	21·8	22·3	19·5
July	9·2	11·6	9·9	16·7	22·6	22·9	19·6
August	9·3	11·6	10·1	17·1	22·7	23·1	19·2
September ...	9·3	11·4	10·0	17·6	23·2	22·9	18·5
October ...	9·5	11·8	10·4	18·7	21·9	21·9	
November ...	9·9	12·1	11·0	19·1	21·4	22·2	
December ...	9·8	11·2	11·1	20·2	20·9	21·7	

Percentage of Insured Workers.

Prices

1. WHOLESALE PRICES (average for month)

Date.	Index Number (Sept. 16th, 1931=100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
1932.					
September	*106·0*	*90·9*	*89·3*	*91·3*	*87·4*
1933.					
April	99·5	82·9	87·0	86·2	83·3
May	102·1	87·4	86·5	86·2	84·4
June	104·4	92·4	87·8	87·0	85·5
July	106·7	100·0	89·8	86·5	86·3
August	106·1	102·2	89·3	86·3	86·6
September	106·5	103·2	87·9	85·9	87·2
October, 1st week	105·8	103·1	87·2	84·9	87·8
October, 2nd week	105·4	104·7	87·5	83·2	87·8
October, 3rd week	105·3	103·7	—	84·6	88·1
October, 4th week	105·4	103·8	—	84·5	88·1

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Generale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1932.						
September ...	*25*	*54*	*85–90*	*70–75*	*70*	*43*
1933.						
April	14	55–56	85	65–70	70–75	36
May	14	56	85	65–70	70–75	36
June	18	56	80–85	65–70	70–75	38
July	19	56	80–85	65–70	70–75	39
August	22	56	80–85	70	70–75	41
September ...	23	56	85	70	70–75	41

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.	Cotton American Middling.	Wool, 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
	per qr. s. d.	per lb. d.	per lb. d.	per ton. s. d.	per ton. £	per lb. d.
1932.						
September ...	*29 6*	*6·24*	*$23\frac{1}{8}$*	*58 6*	*$152\frac{13}{16}$*	*$2\frac{11}{16}$*
1933.						
April	27 $4\frac{1}{2}$	5·32	$22\frac{3}{8}$	62 6	158	$2\frac{5}{8}$
May	29 4	5.98	$24\frac{1}{4}$	62 6	$186\frac{1}{4}$	$2\frac{7}{8}$
June	28 8	6·35	$26\frac{7}{8}$	62 6	$220\frac{1}{32}$	$3\frac{3}{8}$
July	32 5	6·33	$30\frac{3}{8}$	62 6	$216\frac{1}{4}$	$3\frac{3}{8}$
August	30 10	5·83	30	62 6	$215\frac{5}{16}$	$3\frac{7}{8}$
September ...	29 9	5·49	$33\frac{1}{8}$	62 6	$216\frac{15}{16}$	$3\frac{1}{4}$